

# National Digital Library Program

Annual Review 1999

# NATIONAL DIGITAL LIBRARY TRUST FUND

## STATEMENT OF FINANCIAL POSITION

September 30, 1999

### **ASSETS**

Cash	\$	144,297
Investments (Note 2)		17,756,357
Receivables:		
Pledges (Note 3)		5,989,830
Accrued interest		149,189
Accounts		49
Total Receivables		<u>6,139,068</u>
Operating Materials and Supplies		<u>125</u>
<b>Total assets</b>	<b>\$</b>	<b><u>24,039,847</u></b>

### **LIABILITIES AND NET ASSETS**

Accounts payable	\$	316,330
Accrued payroll and annual leave		<u>144,399</u>
<b>Total liabilities</b>		<u>460,729</u>

### **NET ASSETS (Note 4)**

Temporarily Restricted	<u>23,579,118</u>
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<b>Total liabilities and net assets</b>	<b>\$</b>	<b><u>24,039,847</u></b>
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The accompanying notes are an integral part of these financial statements.

# NATIONAL DIGITAL LIBRARY TRUST FUND

## STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 1999

### **CHANGES IN UNRESTRICTED NET ASSETS**

#### **REVENUES**

Imputed financing sources (Note 6)	\$ 101,600
Interest	860,139
Net assets released from restrictions	<u>5,536,688</u>
<b>Total revenues</b>	<u>6,498,427</u>

#### **EXPENSES**

Personnel costs	2,782,484
Digitizing and other services	1,892,741
Professional and consultant services	619,814
Awards to other archival institutions (Ameritech)	410,313
Non-capitalized equipment	318,817
Printing, publishing, and photoduplicating	118,346
Services of the Library and other agencies	81,553
Entertainment	62,138
Rental	59,000
Travel and transportation	55,031
Computer software	39,613
Office supplies	32,294
Tuition and training	20,607
Postage	3,873
Books and library materials	<u>1,803</u>
<b>Total expenses</b>	<u>6,498,427</u>

### **CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Donations (Note 5)	1,287,641
Net assets released from restrictions	<u>(5,536,688)</u>
<b>Changes in Temporarily Restricted Net Assets</b>	<u>(4,249,047)</u>

<b>Decrease in Net Assets</b>	(4,249,047)
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<b>Net Assets at Beginning of year</b>	<u>27,828,165</u>
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<b>Net Assets at End of year</b>	<u><u>\$ 23,579,118</u></u>
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The accompanying notes are an integral part of these financial statements.

# NATIONAL DIGITAL LIBRARY TRUST FUND

## STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 1999

Cash flows from operating activities:		
Donations Received	\$	8,129,348
Interest Received		879,925
Cash paid to others		(4,008,107)
Cash paid to employees		(2,652,115)
<b>Net cash provided by operating activities</b>		<b><u>2,349,051</u></b>
Cash flows from investing activities:		
Investment in U.S. Treasury Market-Based Securities		(11,633,984)
Investment in U.S. Treasury Permanent Loan		(26,032)
Redemption of Investment in U.S. Treasury Market-Based Securities		9,004,877
Redemption of Investment in U.S. Treasury Permanent Loan		1,031
<b>Net cash used in investing activities</b>		<b><u>(2,654,108)</u></b>
<b>Net (Decrease) in Cash</b>		<b>(305,057)</b>
<b>Cash at beginning of year</b>		<b><u>449,354</u></b>
<b>Cash at end of year</b>	\$	<b><u><u>144,297</u></u></b>
Reconciliation of Changes in Net Assets to Net Cash From Operating Activities		
<b>Changes in Net Assets</b>	\$	<b>(4,249,047)</b>
Adjustments to reconcile changes in net assets to net cash provided from operating activities:		
Decrease in pledges receivables (Note 3)		6,841,707
Decrease in accounts receivables		1,630
Decrease in accrued interest receivables		19,786
Increase in accrued payroll and annual leave		28,769
(Decrease) in accounts payable		(293,821)
Decrease in operating materials & supplies		27
<b>Total Adjustments</b>		<b>6,598,098</b>
<b>Net Cash from Operating Activities</b>	\$	<b><u><u>2,349,051</u></u></b>

The accompanying notes are an integral part of these financial statements.

**NATIONAL DIGITAL LIBRARY TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 1999**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**A. DESCRIPTION OF FUND**

The National Digital Library Trust Fund (NDLTF) supports the mission and strategic objectives of the National Digital Library Program (NDLP). The program is a public-private partnership created to digitize American history and cultural materials, to build a broad-based national coalition of digital archives and libraries, to provide access to electronic materials, to develop a catalog for electronic materials, to promote standards and practices for the use of digital materials, and to provide other related outreach services. The NDLP, when completed, will be an unsurpassed on-line resource for the study of American history and culture. Making priceless treasures of American history accessible to all Americans in their own local communities is central to the Library's goal of enriching education in America and widening access to the documentary record of America's knowledge and creativity.

The National Digital Library Trust Fund consists of the following sub-accounts:

- NDL General Trust
- Scott Trust
- Kellogg Trust
- Ameritech Trust
- McCormick Tribune Trust
- Koch Foundation Trust
- Mellon Foundation Trust
- Microsoft Trust
- Pew Charitable Trust
- Hewlett Foundation Trust

The NDLTF is the primary private sector source of funding for the NDLP. The program also receives funding from appropriated funds, a gift fund, and an endowment fund.

The NDLTF was approved by the Library of Congress Trust Fund Board and the Joint Committee on the Library in September 1994 and operates on a fiscal year beginning October 1 and ending September 30.

Significant accounting policies followed by the NDLTF are presented on the following pages.

## **B. BASIS OF ACCOUNTING AND PRESENTATION**

The NDLTF's financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

The NDLTF adopted financial reporting standards applicable to not-for-profit organizations. The financial statements are prepared in accordance with Financial Accounting Standards No. 117, and recognize net assets based on the existence of applicable restrictions limiting their use.

Temporarily restricted net assets result from donor-imposed restrictions that permit the Fund to use or expend the assets after the restriction has been satisfied. When a donor-imposed restriction is satisfied, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unrestricted net assets result from the expiration of donor-imposed restrictions on contributions. These assets are available to the Fund for use in support of current operations. The Library of Congress provides support services to the NDLTF and the cost of these services are, by their nature, indirect, difficult to quantify, and financed with appropriated funds of the library. To the extent that these services are provided, they are not considered operating expenses of the NDLTF.

## **C. USE OF ESTIMATES**

The preparation of the NDLTF's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

## **D. DONATIONS AND REVENUE RECOGNITION**

The NDLTF records as donation revenue amounts received in the form of cash, promises or pledges to give. All donations are temporarily restricted for the purpose of the NDLTF and are not available for the support of general Library activities. Unconditional promises or pledges to give are recognized as pledges receivable. Multi-year pledges or promises due over a period of time are discounted to their present value, based upon prevailing interest rates, and recognized in the period of initial pledge.

## **E. CAPITAL ASSETS**

The financial statements do not include capital assets which are purchased for the Library

of Congress and other funds. Capital assets are expensed when purchased and ownership is transferred to the Library of Congress.

## **F. INCOME TAX**

The NDLTF operates for the benefit of the Library of Congress which is an instrument of the United States and, as such, is not subject to income tax.

## **G. INVESTMENT POLICY**

The Library of Congress Trust Fund Board determines the investment policy for the Library's trust funds. NDLTF are invested in a pool of U.S. Treasury market-based securities.

Investments in U.S. Treasury market-based securities are stated at cost, net of any unamortized premium or discount, which approximates market value at September 30, 1999.

## **NOTE 2 - INVESTMENTS**

The NDLTF invests in U.S. Treasury short-term securities. Investments consisted of the following:

Investment	Cost	Unamortized Premium	Unrealized Discount	Net Investment
NDL General Trust	\$14,524,945	\$288,353	\$172,830	\$ 14,640,468
Scott Trust *	578,633	11,541	6,917	583,257
Kellogg Trust	229,585	4,576	2,743	231,418
Ameritech Trust	392,160	7,816	4,685	395,291
McCormick Tribune Trust	1,067,419	21,275	12,752	1,075,942
Koch Foundation Trust	107,572	2,144	1,286	108,430
Mellon Foundation Trust	49,579	988	592	49,975
Microsoft Trust	15,119	301	181	15,239
Pew Charitable Trust	352,856	7,033	4,215	355,674
Hewlett Foundation Trust	298,281	5,945	3,563	300,663
Total Trusts	\$17,616,149	\$349,972	\$209,764	\$17,756,357

\* The investments are accrued in the General Trust Fund

### **NOTE 3 - PLEDGES**

Contributions of unconditional promises to give (pledges) to the NDLTF are recognized as revenue in the period received. They are recorded at their present value using a market discount rate. Accretion of the discount in subsequent years is also recorded as revenue. Outstanding pledges of \$6,806,707 at September 30, 1999, were discounted through fiscal year 2004 at a market discount rate and are included in the statement of financial position at their discounted present value of \$5,989,830. The amounts due in future years at their current discounted value are: \$3,017,530 in fiscal 2000; \$1,008,450 in fiscal 2001; \$423,250 in fiscal 2002; \$794,100 in fiscal 2003; and \$746,500 in fiscal 2004.

In fiscal year 1998, John W. Kluge, Chairman, James Madison Council pledged \$5,000,000 (in the form of a 2:1 matching gift for the first \$2,500,000 raised from other donors) to the NDLTF. The full net present value of the pledge was included in the total pledges of the NDLTF as of September 30, 1998. A provision of the \$5,000,000 pledge stipulated that the Library could use his gift or a portion of the \$5,000,000 pledge for support of the Library's Bicentennial celebration when pledges from other donors to the NDLTF exceeded the required matching amount of \$2,500,000. The Library has received enough pledges to the NDLTF as of September 30, 1999, to enact the provision so that \$3,000,000 of the pledge could be transferred to the James Madison Council Trust Fund for the Bicentennial celebration. The present value of the \$3,000,000 portion of the pledge is \$2,691,300 which has been transferred to the James Madison Council Trust Fund as of September 30, 1999.

### **NOTE 4 - NET ASSETS**

Net assets include undelivered orders of \$1,139,994 which are funds that have been obligated for goods and services not yet received for NDLTF operations and designated projects. All assets are temporarily restricted for the purpose of supporting the objectives of the National Digital Library Program.

### **NOTE 5 - DONATIONS**

The NDLTF donations exclude a grant from the Ford Foundation of \$500,000 in support of the National Digital Library received as a gift fund and an endowment from the Harissios Papamarkou Chair in Education Fund.

### **NOTE 6 - IMPUTED FINANCING FOR COST SUBSIDIES**

An adjustment of \$101,600 was recorded as an imputed financing source and a corresponding expense in the accompanying financial statements. This adjustment recognizes the full cost of pensions and other health and life insurance benefits during the employees' active years of service.



## **NOTE 7 - RETIREMENT PLANS**

Employees of the NDLTF participate in two different retirement plans. Civil Service employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS is the system in effect for most employees hired after December 31, 1983.

In fiscal 1999, the NDLTF paid approximately \$204,055 to fund retirement benefits, excluding FICA Taxes.

## **NOTE 8 - RESEARCH AND DEVELOPMENT**

In fiscal 1999, the NDLTF paid \$250,000 for research and development.

## **NOTE 9 - EXPENSES BY FUNCTIONAL CLASSIFICATION**

As permitted by Financial Accounting Standards No. 117, the NDLTF has elected to present its operating expenses by natural classification in its Statement of Activities for the fiscal year ended September 30, 1999. The functional breakdown of these expenses is as follows:

National Digital Library Program	\$6,304,384
Fundraising	<u>194,043</u>
Total Expenses	<u>\$6,498,427</u>

**NATIONAL DIGITAL LIBRARY TRUST FUND**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
September 30, 1999

	NDL General Trust	Scott Trust	Kellogg Trust	Ameritech Trust	McCormick Tribune Trust	Koch Foundation Trust	Mellon Foundation Trust	Microsoft Trust	Pew Charitable Trust	Hewlett Foundation Trust	Combined	Elimination	Consolidated
<b>ASSETS</b>													
Cash	\$ 119,017	\$ 4,734	\$ 1,877	\$ 3,207	\$ 8,728	\$ 881	\$ 405	\$ 124	\$ 2,885	\$ 2,439	\$ 144,297	\$ -	\$ 144,297
Investments (Note 2)	14,640,468	583,257	231,418	395,291	1,075,942	108,430	49,975	15,239	355,674	300,663	17,756,357	-	17,756,357
Receivables:													
Pledges (Note 3)	5,413,203	263,655	-	-	-	-	-	-	312,972	-	5,989,830	-	5,989,830
Accrued Interest	149,189	-	-	-	-	-	-	-	-	-	149,189	-	149,189
Accounts	49	-	-	-	2,376	-	-	-	-	-	2,425	(2,376)	49
Total Receivables	5,562,441	263,655	-	-	2,376	-	-	-	312,972	-	6,141,444	(2,376)	6,139,068
Operating Materials & Supplies	115	-	-	10	-	-	-	-	-	-	125	-	125
<b>Total assets</b>	<b>\$ 20,322,041</b>	<b>\$ 851,646</b>	<b>\$ 233,295</b>	<b>\$ 398,508</b>	<b>\$ 1,087,046</b>	<b>\$ 109,311</b>	<b>\$ 50,380</b>	<b>\$ 15,363</b>	<b>\$ 671,531</b>	<b>\$ 303,102</b>	<b>\$ 24,042,223</b>	<b>\$ (2,376)</b>	<b>\$ 24,039,847</b>
<b>LIABILITIES AND NET ASSETS</b>													
Accounts payable	\$ 49,312	\$ 67,610	\$ 21,508	\$ 12,824	\$ -	\$ -	\$ -	\$ -	\$ 32,189	\$ 135,263	\$ 318,706	\$ (2,376)	\$ 316,330
Accrued payroll and annual leave	128,094	16,305	-	-	-	-	-	-	-	-	144,399	-	144,399
<b>Total liabilities</b>	<b>177,406</b>	<b>83,915</b>	<b>21,508</b>	<b>12,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,189</b>	<b>135,263</b>	<b>463,105</b>	<b>(2,376)</b>	<b>460,729</b>
<b>NET ASSETS (Note 4)</b>													
Temporarily restricted	20,144,635	767,731	211,787	385,684	1,087,046	109,311	\$ 50,380	15,363	639,342	167,839	23,579,118	-	23,579,118
<b>Total liabilities and net assets</b>	<b>\$ 20,322,041</b>	<b>\$ 851,646</b>	<b>\$ 233,295</b>	<b>\$ 398,508</b>	<b>\$ 1,087,046</b>	<b>\$ 109,311</b>	<b>\$ 50,380</b>	<b>\$ 15,363</b>	<b>\$ 671,531</b>	<b>\$ 303,102</b>	<b>\$ 24,042,223</b>	<b>\$ (2,376)</b>	<b>\$ 24,039,847</b>

**NATIONAL DIGITAL LIBRARY TRUST FUND**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 1999

	NDL General Trust	Scott Trust	Kellogg Trust	Ameritech Trust	McCormick Tribune Trust	Koch Foundation Trust	Mellon Foundation Trust	Microsoft Trust	Pew Charitable Trust	Hewlett Foundation Trust	Combined	Eliminations	Consolidated
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>													
<b>REVENUE</b>													
Imputed financing sources (Note 6)	\$ 83,871	\$ 17,730	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ -	\$ -	\$ 101,600	\$ -	\$ 101,600
Interest	737,796	-	10,826	22,343	39,566	3,987	1,869	5,795	6,949	31,008	860,139	-	860,139
Net assets released from restrictions	2,694,564	725,467	319,048	420,877	(92,885)	(9,311)	(880)	234,637	344,691	832,161	5,468,369	68,319	5,536,688
<b>Total revenues</b>	<b>3,516,231</b>	<b>743,197</b>	<b>329,874</b>	<b>443,220</b>	<b>(53,319)</b>	<b>(5,324)</b>	<b>988</b>	<b>240,432</b>	<b>351,640</b>	<b>863,169</b>	<b>6,430,108</b>	<b>68,319</b>	<b>6,498,427</b>
<b>EXPENSES</b>													
Personnel costs	2,455,156	326,075	-	265	-	-	988	-	-	-	2,782,484	-	2,782,484
Digitizing and other services	446,652	-	269,598	12,531	-	-	-	33,335	355,852	774,773	1,892,741	-	1,892,741
Professional and consultant services	243,974	309,297	60,000	6,543	-	-	-	-	-	-	619,814	-	619,814
Awards to other archival institutions (Ameritech)	-	-	-	410,313	-	-	-	-	-	-	410,313	-	410,313
Non-capitalized equipment	15,492	10,318	-	-	-	-	-	208,833	-	84,174	318,817	-	318,817
Printing, publishing, and photoduplicating	113,952	636	-	3,758	-	-	-	-	-	-	118,346	-	118,346
Services of the Library and other agencies	72,793	8,760	-	-	-	-	-	-	-	-	81,553	-	81,553
Entertainment	56,714	4,537	-	887	-	-	-	-	-	-	62,138	-	62,138
Rental	-	59,000	-	-	-	-	-	-	-	-	59,000	-	59,000
Travel and transportation	30,185	16,286	-	8,499	-	-	-	61	-	-	55,031	-	55,031
Computer software	23,641	8,157	-	-	-	-	-	3,593	-	4,222	39,613	-	39,613
Office supplies	31,947	131	-	142	-	-	-	74	-	-	32,294	-	32,294
Tuition and training	20,331	-	276	-	-	-	-	-	-	-	20,607	-	20,607
Postage	3,591	-	-	282	-	-	-	-	-	-	3,873	-	3,873
Books and library materials	1,803	-	-	-	-	-	-	-	-	-	1,803	-	1,803
<b>Total expenses</b>	<b>3,516,231</b>	<b>743,197</b>	<b>329,874</b>	<b>443,220</b>	<b>-</b>	<b>-</b>	<b>988</b>	<b>245,896</b>	<b>355,852</b>	<b>863,169</b>	<b>6,498,427</b>	<b>-</b>	<b>6,498,427</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53,319)</b>	<b>(5,324)</b>	<b>-</b>	<b>(5,464)</b>	<b>(4,212)</b>	<b>-</b>	<b>(68,319)</b>	<b>68,319</b>	<b>-</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>													
Donations (Note 5)	189,796	50,536	-	21,650	-	-	-	-	25,659	1,000,000	1,287,641	-	1,287,641
Net assets released from restrictions	(2,694,564)	(725,467)	(319,048)	(420,877)	92,885	9,311	880	(234,637)	(344,691)	(832,161)	(5,468,369)	(68,319)	(5,536,688)
<b>Increase in Temporarily Restricted Net Assets</b>	<b>(2,504,768)</b>	<b>(674,931)</b>	<b>(319,048)</b>	<b>(399,227)</b>	<b>92,885</b>	<b>9,311</b>	<b>880</b>	<b>(234,637)</b>	<b>(319,032)</b>	<b>167,839</b>	<b>(4,180,728)</b>	<b>(68,319)</b>	<b>(4,249,047)</b>
<b>Increase in Net Assets</b>	<b>(2,504,768)</b>	<b>(674,931)</b>	<b>(319,048)</b>	<b>(399,227)</b>	<b>39,566</b>	<b>3,987</b>	<b>880</b>	<b>(240,101)</b>	<b>(323,244)</b>	<b>167,839</b>	<b>(4,249,047)</b>	<b>-</b>	<b>(4,249,047)</b>
<b>Net Assets at Beginning of Year</b>	<b>22,649,403</b>	<b>1,442,662</b>	<b>530,835</b>	<b>784,911</b>	<b>1,047,480</b>	<b>105,324</b>	<b>49,500</b>	<b>255,464</b>	<b>962,586</b>	<b>-</b>	<b>27,828,165</b>	<b>-</b>	<b>27,828,165</b>
<b>Net Assets at End of Year</b>	<b>\$ 20,144,635</b>	<b>\$ 767,731</b>	<b>\$ 211,787</b>	<b>\$ 385,684</b>	<b>\$ 1,087,046</b>	<b>\$ 109,311</b>	<b>\$ 50,380</b>	<b>\$ 15,363</b>	<b>\$ 639,342</b>	<b>\$ 167,839</b>	<b>\$ 23,579,118</b>	<b>\$ -</b>	<b>\$ 23,579,118</b>